

October 17th, 2018

The Honorable Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551

Re: Proposed Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds. [Docket ID No. R-1608; RIN 7100-AF 06]

Dear Secretary Misback:

The New England Council appreciates your efforts to review and update current regulations that implement Section 13 of the Bank Holding Company Act of 1956 (BHC Act), known as the “Volcker Rule.” We believe this public comment period will provide valuable feedback to help simplify these regulations and tailor them to the post economic crisis environment.

The New England Council is a non-partisan alliance of businesses, academic and health institutions, and public and private organizations throughout New England formed to promote economic growth and a high quality of life in the New England region. We are proud to count among our members many of the nation’s top financial services firms, along with a range of smaller entrepreneurial financial organizations. Members include life, health and property casualty insurers, commercial and community banks, credit unions, investment houses of every variety and other financial institutions. As such, the Council has a keen interest in the proposed rulemaking and its potential impacts on our broad membership, from which we have heard numerous concerns about the need for, and content of, the rulemaking.

The Council has long supported protections the Dodd-Frank Act created for American consumers, guaranteeing that their financial assets are secure. Additionally, we believe that these post-economic crisis regulations have significantly improved the stability and resilience of the financial sector. However, we believe that enhancing Volcker Rule implementation regulations would benefit the banking industry by increasing efficiency, reducing pressure on internal compliance resources, and allowing banking entities throughout New England to provide better services to their customers.

We appreciate the opportunity to share some comments from our members, highlighting revisions would improve implementation regulations for the Volcker Rule. We encourage you to take into consideration support for the following changes, especially those that go into further detail:

- **Three tiers of compliance obligations for banking entities** – The Council recommends increasing threshold defining “significant trading assets and liabilities” from \$10 to \$20 billion.
- **Relief with respect to liquidity management exemption requirements** – The Council recommends expanding exclusion to include FX forwards, FX swaps, physically-settled cross-currency swaps, and NDFs; further expand this exclusion to include all activity undertaken for asset liability management.
- **Covered funds and exemptions** – The Council recommends the following changes:
 - Automatically grant the permitted 2-year extension for seeding (beyond the initial 1-year) for all bank investments in covered funds and provide a safe harbor from the definition of proprietary trading for seeding activity undertaken by the fiduciary arm of the banking entity.

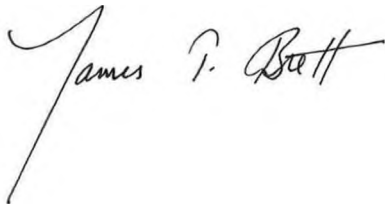
- Establish that credit exposures extended in the ordinary course of providing custody services are not prohibited by the Super 23A provisions.
- **Simplifying the Metrics Reporting Requirements** - The Council recommends eliminating Volcker Rule-specific metrics; if metrics are retained, focus on Risk Management and Source of Revenue metrics.

Additionally, we also support the following changes that have been recommend in the proposed rule: modifications to the definitions of trading accounts; establishment of an optional rebuttable presumption of compliance with the Volcker Rule for trading desks that are subject only to the accounting prong; additional flexibility with regard to underwriting and market-making exemptions; relief with respect to risk-mitigating hedging exemption requirements; updating the TOTUS exemption for proprietary trading outside the United States by foreign banks by eliminating the “funding” restriction; and clarification to restrictions to covered funds that are solely outside of the United States.

We commend the Agencies and Congress for undertaking the necessary steps to reexamine the Volcker Rule and hope that these comments are helpful in your efforts to craft the most effective and efficient regulations. While well-intentioned, we believe that the Volcker Rule has impacted the ability of both financial and non-financial businesses to operate and grow.

These common-sense recommendations will allow the Agencies to promote safety and soundness and financial stability, while preserving the market liquidity and access to capital so critical to the New England region economy. We look forward to furthering our engagement with the Agencies and Congress on this matter. Thank you for your consideration and support on this issue, if you have any questions regarding this matter, please contact Griffin Doherty at (202) 547-0048 or gdoherty@newenglandcouncil.com.

Sincerely,

A handwritten signature in black ink that reads "James T. Brett". The signature is written in a cursive, flowing style with a long, sweeping underline that extends to the left.

James T. Brett

President & CEO